



# News RELEASE

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### ***SBA, ENERGY DEPARTMENT AGREE TO EXPLORE CREDIT ANSWERS TO OIL PRODUCER DIFFICULTIES***

**WASHINGTON** – The U.S. Small Business Administration (SBA) and the Department of Energy (DOE) have agreed to try to determine whether SBA credit programs can be used to help small independent oil producers overcome temporary economic difficulties related to low oil prices, SBA Administrator Aida Alvarez said today.

**“Small independent crude oil producers are being especially hard hit by the current decline in crude oil prices,”** Administrator Alvarez said. **“They have seen the inflation-adjusted price of their product fall to levels not seen since the 1930s. Since production costs have not declined correspondingly, in many cases it now costs more to produce a barrel of oil than it will bring on the open market.**

**“We owe it to these small businesses to explore how SBA loan programs can be used to help them through these temporary difficulties,”** Administrator Alvarez said.

Energy Secretary Bill Richardson added: **“The typical oil producer is a small business with many of the same problems encountered by small businesses in the retail and manufacturing industries. By providing a liaison between banks, producers and the SBA, we will make it easier for eligible small producers and service organizations to use small business assistance programs to weather the storm buffeting the domestic oil industry.”**

The DOE is leading a broad federal effort to coordinate available government resources to assist domestic crude oil producers who are caught in the economic downturn caused by the slump in crude oil prices. An agreement with SBA is part of that effort.

The agreement between SBA and DOE establishes a Domestic Crude Oil Producers Working Group that will include employees of both agencies.

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The group will try to:

- Identify the types of SBA assistance that are available to small domestic crude oil producers;
- Identify a plan to inform these companies of SBA's small business assistance programs;
- Identify ways to help these companies apply for SBA assistance;
- Identify a plan to assure consistent delivery of SBA financial assistance to qualified small domestic oil producers, and
- Identify a procedure to refer these firms to commercial lenders and federal small business assistance agencies and programs.

SBA has provided loan guaranties to this business sector in the past, but the numbers are relatively small – just 27 loans in the period from FY 1987 to FY 1996. Most of the nation's independent domestic crude oil producers have fewer than 500 employees, and thus meet the SBA size standard for this sector.

The crisis among these oil companies is the result of a worldwide glut in crude oil production, especially linked to high foreign production. The surplus has resulted in per barrel prices for crude oil dropping to less than \$12.50 per barrel. The DOE estimates that the difference between the per barrel prices and production costs can be as great as \$5 per barrel.

The DOE estimates that demand for credit in this business sector could be well over \$500 million.

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*The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, the SBA is the nation's largest single financial backer of small businesses. Last year, the SBA offered management and technical assistance to more than one million small business owners. The SBA also plays a major role in the government's disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America's 23 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation's gross domestic product, and are the principal source of new jobs in the U.S. economy.*

*For more information on these and other SBA programs, call the SBA Answer Desk at 1-800-U-ASK-SBA, or visit the SBA's extensive website at [www.sba.gov](http://www.sba.gov).*

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